

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 24, 2019

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CASE NO. PUR-2019-00054

APPLICATION OF

ATMOS ENERGY CORPORATION

For approval of a SAVE Plan and Rider
as provided by Chapter 26 of Title 56
of the Code of Virginia

ORDER APPROVING SAVE PLAN AND RIDER

On April 1, 2019, Atmos Energy Corporation ("Atmos" or "Company") filed its application with the State Corporation Commission ("Commission") for approval to implement a plan and rider pursuant to Chapter 26 of Title 56 of the Code of Virginia ("Code") – § 56-603 *et seq.* – Steps to Advance Virginia's Energy Plan ("SAVE") Act ("Application").¹ In its Application, the Company stated that it intends to spend approximately \$107 million over the 14 years of its plan ("SAVE Plan").² Recovery would be through a rider ("SAVE Rider") on customer's bills authorized by the SAVE Act. The Company further requests authority to vary the annual investment up to ten percent above or below the projected amounts for each year of the SAVE Plan as well as a variance for ten percent more or less than the current estimates for the total investment for each category of infrastructure.³

As Atmos discussed in its Application, the SAVE Act provides for the recovery of the costs of replacing gas utility infrastructure to enhance system safety and reliability and which

¹ As provided by § 56-604 B of the Code, the Commission shall approve or deny the Company's Application within 180 days.

² Ex. 2 (Application) at 3.

³ *Id.* at 5.

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will reduce or have the potential to reduce greenhouse gas emissions.⁴ The Company represented that the replacement of the SAVE eligible infrastructure would not increase revenues by directly connecting such infrastructure replacements and associated projects to new customers.⁵ The Company further stated that the eligible infrastructure replacements and associated projects were not included in Atmos' rate base used to determine its current base non-gas rates.⁶ The projects proposed in the Company's Application are the replacement of unlocatable plastic mains and associated services, replacement of 10 gate stations, replacement or improvement of 15 regulator stations, and replacement of 7 electrically shorted steel cased crossings.⁷ The Company proposed that the monthly SAVE Rider would take effect with bills rendered on and after October 1, 2019.⁸

The Company stated that the Infrastructure Reliability and Replacement Adjustment, the SAVE Rider, would consist of two components: (1) Infrastructure Replacement Current Rate ("Projected Factor") to become effective with the first billing cycle in October 2019, and (2) the Infrastructure Replacement Reconciliation Rate ("True-up Factor") which is an annual true-up to be "calculated based on the actual cost of service using the same calculations and formulas as used to calculate the Projected Factor."⁹ The Company stated that following approval of the SAVE Plan, it would file an application on June 1 of each year through 2032 for approval of its

⁴ *Id.* at 3.

⁵ *Id.* at 5.

⁶ *Id.*

⁷ *Id.* at 3-4.

⁸ *Id.* at 2; Ex. 4 (Martin Direct) at 5.

⁹ Ex. 2 (Application) at 6-7.

Projected Factor for the upcoming SAVE Plan year and that it would include a proposed True-up Factor in its annual filing on June 1 of every year beginning in the third year through 2035.¹⁰

On April 18, 2019, the Commission issued an Order for Notice and Hearing that, among other things: (1) docketed this proceeding; (2) required public notice of the Application; (3) established procedures for participation in this matter; (4) required the Staff of the Commission ("Staff") to investigate the Application and file testimony on its findings; (5) scheduled a public hearing on the Application; and (6) appointed a Hearing Examiner to conduct all further proceedings on this matter on behalf of the Commission and to file a final report. The Commission did not receive any notices of participation in this matter.

A hearing was held on July 16, 2019.

On August 7, 2019, the Report of Alexander F. Skirpan, Jr., Chief Hearing Examiner ("Hearing Examiner's Report" or "Report"), was filed. As noted in the Report, by the time of the hearing there was only one issue¹¹ in contention between the Company and Staff: whether the SAVE Rider should be designed as a fixed charge, as proposed by Atmos, or as a volumetric charge, as proposed by Staff.¹² In his Report, the Hearing Examiner summarized the history and record in this case and recommended that the Commission enter an order that: (1) adopts the findings contained in the Report; (2) approves the Company's Application and proposed SAVE Rider consistent with the recommendations in the Report; and (3) dismisses this case from the

¹⁰ *Id.* at 8.

¹¹ The other issues noted in prefiled testimony were resolved prior to the hearing. Hearing Examiner's Report at 15-16.

¹² *Id.* at 17.

Commission's docket of active cases and passes the papers in the record to the file for ended causes.¹³

Specifically, the Hearing Examiner found that (i) the investments made by the Company in its proposed SAVE Plan meet the requirements of the SAVE Act, (ii) the SAVE Plan should be approved for a five-year period as agreed by Atmos and Staff, (iii) the Company should be granted the flexibility to spend ten percent above or below the projected level in any SAVE Plan year and, on a cumulative basis, to spend ten percent more or less than the total SAVE Plan costs as agreed by Atmos and Staff, (iv) the revenue requirement for the first year of the SAVE Plan is \$83,646,¹⁴ (v) the SAVE Plan revenue requirement should be allocated to the Company's rate classes using the Seabord Allocator as agreed to by the Company and Staff, and (vi) rates for the SAVE Rider should be on a fixed charge basis.¹⁵

On August 14, 2019, the Company filed Comments supporting the findings and recommendations in the Report. Also on August 14, 2019, Staff filed Exceptions to the Report on the finding that the SAVE Rider be recovered on a fixed charge basis.

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that the Hearing Examiner's Report should be adopted in its entirety and that the Company's SAVE Plan and Rider satisfy the statutory provisions of the SAVE Act and should, therefore, be approved. With regards to the sole contested issue on the collection method for the SAVE Rider, we herein approve a fixed charge recovery as recommended by the Hearing Examiner. As properly noted by the parties and the Hearing Examiner, when Atmos files a rate case, we will

¹³ *Id.* at 20-21.

¹⁴ A five year budget analysis was included in the Staff's analysis. *Id.* at 11.

¹⁵ *Id.* at 20.

have the discretion to then determine how costs associated with the SAVE Plan are recovered in base rates.¹⁶

Accordingly, IT IS SO ORDERED THAT:

(1) The SAVE Plan, as permitted by § 56-603 *et seq.* of the Code, is hereby approved as set forth in this Order Approving SAVE Plan and Rider.

(2) The SAVE Rider, as permitted by § 56-603 *et seq.* of the Code, is approved as set forth in this Order Approving SAVE Plan and Rider, and rates consistent with this Order shall become effective commencing with bills rendered on and after October 1, 2019.

(3) The findings and recommendations of the August 7, 2019 Hearing Examiner's Report are hereby adopted.

(4) Atmos shall forthwith file with the Clerk of the Commission and with the Commission's Division of Energy Regulation and Utility Accounting and Finance, in accordance with this Order, revised rate schedules and terms and conditions of service for the SAVE Rider, with workpapers supporting the total revenue requirement and rates, all of which shall reflect the findings and requirements set forth in this Order Approving SAVE Plan and Rider. The Clerk of the Commission shall retain such filing for public inspection in person and on the Commission's website: <http://www.scc.virginia.gov/case>.

(5) At least thirty (30) days prior to the specific filings required as part of the SAVE Plan, as approved by the Commission in this Order Approving SAVE Plan and Rider, the Company shall provide information related to such filings to the Staff, upon request.

(6) This matter is hereby dismissed, and the papers filed herein shall be placed in the Commission's file for ended causes.

¹⁶ Hearing Examiner's Report at 18 (citing Tr. at 8, 22, 25, 44, 46-47).

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AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Timothy E. Biller, Esquire, and A. Christopher Alderman, Esquire, Hunton Andrews Kurth LLP,
951 East Byrd Street, Richmond, Virginia 23219; and C. Meade Browder, Jr., Senior Assistant
Attorney General, Office of the Attorney General, Division of Consumer Counsel, 202 North 9th
Street, 8th Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's
Office of General Counsel and Division of Energy Regulation and Utility Accounting and
Finance.